



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE  
AUDITOR-CONTROLLER

May 7, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **WHITTIER RIO HONDO AIDS PROJECT – A DEPARTMENT OF  
PUBLIC HEALTH HIV/AIDS PREVENTION AND CARE SERVICES  
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Whittier Rio Hondo AIDS Project (WRHAP or Agency), which covered a sample of transactions from March 2011 through July 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with WRHAP, a non-profit organization, to provide case management, health education, and risk reduction services.

Our review was intended to determine whether WRHAP provided services to eligible clients, and spent DHSP Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and applicable guidelines.

At the time of our review, WRHAP had seven cost-reimbursement contracts with DHSP. DHSP paid WRHAP approximately \$364,000 from March 1, 2011 through July 31, 2012. WRHAP provides services to clients in the Fourth Supervisorial District.

**Results of Review**

WRHAP deposited DHSP payments timely, provided services to eligible clients, and maintained adequate personnel records. However, WRHAP did not always comply with all requirements of their County contract. For example, WRHAP:

- Did not follow their Cost Allocation Plan. Specifically, WRHAP allocated shared expenditures, such as consultant fees and health insurance costs, based on budgeted positions rather than actual expenditures, as required in their County contract. In addition, WRHAP was unable to support the actual square footage used to allocate rent costs to the DHSP Programs. Questioned costs totaled \$1,087.

*The Agency's attached response indicates that they will repay DHSP \$1,087, and have already implemented procedures to ensure that all expenditures are supported.*

- Did not maintain original receipts to support gift card purchases, totaling \$1,400.

*The Agency's response indicates that they will repay DHSP \$1,400.*

- Did not resolve 42 reconciling items, totaling \$12,047, on their September 2012 bank reconciliation. The timeframe that these 42 reconciling items had been outstanding ranged from July 2009 to March 2012.

*The Agency's response indicates that they have hired additional bookkeeping support, and have already implemented procedures to ensure that revenue and expenditures are accurately reported in their financial records.*

- Did not obtain two authorized signatures on checks over \$3,000 as required by the Agency's Check Signing Policy.

*The Agency's response indicates that they will ensure two signatures are obtained on all checks over \$3,000 as required.*

- Charged a DHSP Program for unsupported payroll expenditures in June 2012. Specifically, WRHAP did not provide one employee's timecard and paid two employees for eight hours they did not work. According to WRHAP management, the additional hours paid to the two employees were adjusted in the subsequent month's payroll expenditures. However, WRHAP did not provide documentation to support the adjustments. Although the questioned costs were immaterial, WRHAP management should maintain adequate documentation to support expenditures, and ensure only actual hours worked are charged to DHSP.

*The Agency's response indicates that they have hired additional bookkeeping support to minimize errors and will ensure that timecards reflect actual hours worked.*

- Cost Reports did not reconcile to their accounting records. The total questioned costs were immaterial. However, WRHAP management should ensure the Agency's Cost Reports reconcile to their accounting records.

*The Agency's response indicates that they will ensure that the Cost Reports reconcile to their accounting records by maintaining supporting documentation and conducting their own reconciliations.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with WRHAP and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations. DHSP will work with WRHAP to ensure that our recommendations are implemented.

We thank WRHAP management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health  
Whittier Rio Hondo AIDS Project  
George Figueroa, President, Board of Directors  
Elizabeth Mendia, Executive Director  
Public Information Office  
Audit Committee

**WHITTIER RIO HONDO AIDS PROJECT  
HIV/AIDS PREVENTION AND CARE SERVICES  
MARCH 2011 THROUGH JULY 2012**

**ELIGIBILITY**

**Objective**

Determine whether Whittier Rio Hondo AIDS Project (WRHAP or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether WRHAP provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contract.

**Verification**

We reviewed the case files for ten (9%) of the 107 clients who received services from March 2011 through July 2012 for documentation of their eligibility for DHSP services. We also verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

**Results**

WRHAP had documentation to support all ten clients' eligibility for DHSP services, and collected fees from clients in accordance with the Agency's client fee schedule.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether WRHAP recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed WRHAP's personnel, and reviewed the Agency's financial records and September 2012 bank reconciliations.

**Results**

WRHAP deposited DHSP payments into the Agency's bank account timely. However, WRHAP did not record DHSP revenue in their financial records timely. Specifically, at the time of our review, WRHAP had not recorded revenue in their general ledger for four months. In addition, WRHAP did not appropriately prepare, and approve bank account reconciliations. Specifically, WRHAP did not resolve 42 reconciling items, totaling \$12,047, on their September 2012 operating bank account. The timeframe the items have been outstanding ranged from July 2009 to March 2012. Since WRHAP did not provide documentation to support the reconciling items, we could not verify whether these reconciling items were related to the DHSP Programs. In addition, we noted that the Agency did not obtain two authorized signatures on checks over \$3,000 as required by the Agency's Check Signing Policy.

**Recommendations****WRHAP management:**

- 1. Ensure DHSP revenues are recorded in the Agency's financial records timely.**
- 2. Ensure bank reconciling items are resolved timely and repay DHSP for any unpaid DHSP related items.**
- 3. Ensure two authorized signatures are obtained on all checks over \$3,000.**

**COST ALLOCATION PLAN****Objective**

Determine whether WRHAP prepared its Cost Allocation Plan (Plan) in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

**Verification**

We reviewed the Agency's Plan, and a sample of shared expenditures from October 2011 to July 2012.

**Results**

WRHAP prepared its Plan in compliance with the County contract. However, WRHAP did not follow their Plan and allocated shared expenditures, such as consultant fees and health insurance costs, based on budgeted costs rather than actual expenditures. In addition, WRHAP was unable to provide the floor plan to support the actual square

footage used to allocate rent costs to the DHSP Programs. Questioned costs totaled \$1,087.

#### **Recommendation**

4. **WRHAP management repay DHSP \$1,087 for unsupported allocations, or reallocate the shared costs based on an approved allocation methodology and repay DHSP for any excess amounts charged to the DHSP Programs.**

### **EXPENDITURES**

#### **Objective**

Determine whether expenditures charged to the DHSP Programs were allowable under the County contracts, properly documented, and accurately billed.

#### **Verification**

We interviewed WRHAP personnel, and reviewed financial records for 20 direct non-payroll expenditures, totaling \$14,268, that the Agency charged to the DHSP Programs from October 2011 through July 2012.

#### **Results**

WRHAP charged allowable expenditures to the DHSP Programs. However, WRHAP did not maintain original receipts to support gift card purchases, totaling \$1,400.

#### **Recommendations**

**WRHAP management:**

5. **Repay DHSP \$1,400 for unsupported expenditures.**
6. **Maintain adequate documentation to support program expenditures.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether WRHAP charged payroll costs to DHSP appropriately, and maintained personnel files as required.

**Verification**

We reviewed the Agency's financial records, and compared the payroll costs for eight employees totaling \$12,840 for June 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files for DHSP staff.

**Results**

WRHAP maintained personnel files as required by the County contract. However, WRHAP charged a DHSP Program for unsupported payroll expenditures in June 2012. Specifically, WRHAP did not provide one employee's June 2012 timecard and paid two employees for eight hours they did not work. According to WRHAP management, the additional hours paid to the two employees were adjusted in the subsequent month's payroll expenditures. However, WRHAP did not provide documentation to support the adjustments. Although total questioned costs were immaterial, WRHAP management should maintain adequate documentation to support program expenditures and ensure only actual hours worked are charged to DHSP.

**Recommendation**

Refer to Recommendation 6.

7. WRHAP management ensure that only actual hours worked are charged to DHSP.

**COST REPORTS****Objective**

Determine whether the Agency's Cost Reports reconciled to their accounting records.

**Verification**

We compared the Agency's Cost Reports for February 2012, March 2012, and June 2012 to their accounting records.

**Results**

WRHAP's Cost Reports had immaterial discrepancies when compared to their accounting records. However, WRHAP management should ensure that the Agency's Cost Reports reconcile to their accounting records.

**Recommendation**

8. WRHAP management ensure that the Agency's Cost Reports reconcile to their accounting records.



March 20, 2013

Wendy L. Watanabe, Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 S. Figueroa Street, 8th Floor  
Los Angeles, CA 90071  
Attention: Yoon Park/Iscah Wang

Dear Ms. Watanabe,

Enclosed please find our Plan of Corrective Action in response to your recent contract compliance review and report compiled by Ms. Yoon Park.

Please extend our gratitude to your staff for their courtesy and professionalism throughout the review process.

If I may be of assistance, please do not hesitate to contact me at (562) 639-2654 or at my private email at [liz@wrhap.org](mailto:liz@wrhap.org).

Yours truly,

  
Elizabeth Menzies  
Executive Director

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Christopher Wahl Youth Center  
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[www.wrhap.org](http://www.wrhap.org)



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From Draft Report:

"WRHAP deposited the DHSP payments into the Agency's bank account timely. However, WRHAP did not properly identify and record DHSP revenue in their financial records, or appropriately prepare, and approve bank account reconciliations. Specifically, WRHAP did not resolve 42 reconciling items, totaling \$12,047, on their September 2012 operating bank account that were between July 2009 to March 2012. WRHAP did not provide document to support outstanding reconciling items so we could not verify whether these outstanding reconciling items were related to the DHSP Program. In addition, we noted that the Agency did not obtain two authorized signatures on checks over \$3,000 as required by the Agency's Check Signing Policy."

Recommendations of WRHAP management:

1. Ensure DHSP revenues are properly identified and recorded in the Agency's financial records.
2. Ensure bank reconciling items are resolved timely and repay DHSP for any unpaid DHSP related reconciling items.
3. Ensure two authorized signatures are required on all checks.

Plan of Action:

1. WRHAP has hired additional bookkeeping support and implemented procedures to ensure that revenue and expenditures are accurately reported in its financial records.
2. By June 30, 2013, WRHAP will contract with a Alan Strand of Strand and Associates (a firm that specializes in nonprofit accounting to review un-cleared items showing on WRHAP's bank reconciliations from prior periods. WRHAP agrees to pay any unpaid DHSP related items.
3. WRHAP's will ensure two signatures on checks of over \$3,000 dollars in accordance to its policy. All bank reconciliation reports and bank statements are reviewed by the board president and treasurer in addition to the executive director.

From Draft Report:

"We reviewed the Agency's Plan, and a sample of shared costs the Agency incurred from October 2011 to July 2012. \*\*\*WRHAP's Plan was prepared in compliance with the County contract. However, WRHAP did not follow their Plan and allocated shared expenditures, such as consultant fee and health insurance costs, based on budgeted full time equivalent (FTE) and not actual FTE as required. In addition, WRHAP was unable to provide the building floor plan to support the actual square footage used to allocate rent costs to the DHSP Programs. Questioned costs totaled \$1,087.00

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Recommendation

4. WRHAP will immediately remit payment to management repay DHSP \$1,087 for unsupported allocations, or reallocate the shared costs based on an approved allocation methodology and repay DHSP for any excess amounts charged to the DHSP Programs.

Plan of Action:

4. WRHAP will remit payment within five business days to DHSP in the sum of \$1,087 for unsupported allocations. WRHAP has already implemented procedures to support all expenditures including a new tracking form, and attaching a copy of the allocation calculations to all bills.

From Draft Report:

"WRHAP charged allowable expenditures to the DHSP Programs. However, WRHAP did not maintain the original receipt to support gift card purchases, totaling \$1,400. Subsequent to our review, WRHAP provided a copy of a receipt. However, the receipt provided was not for the transaction in question."

Recommendations WRHAP management:

5. Repay DHSP \$1,400 for unsupported expenditures.
6. Maintain adequate documentation to support program expenditures.

Plan of Action:

5. WRHAP will repay DHSP the \$1,400 dollars for the lost receipt within five business days.
6. WRHAP has hired additional bookkeeping support to ensure the adequate maintenance of documentation to support program expenditures.

From the Draft Report:

"We review the Agency's financial records, and traced the payroll costs for eight employees for June 2012, totaling \$12,840, to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Programs staff. WRHAP maintained personnel files as required by the County contract. However, WRHAP charge a DHSP Program for unsupported payroll expenditures in June 2012. Specifically, WRHAP did not provide one employee's June 2012 timecard and paid two employees eight additional unworked hours in June 2012."

According to WRHAP management, the additional unworked hours paid to the two employees were deducted in the subsequent month's payroll expenditures. However, WRHAP did not provide documentation to support the deductions made. Total questioned costs were immaterial. However, WRHAP management should maintain adequate documentation to support program expenditures and ensure that only actual hours worked are charged to the DHSP Program.

**Recommendations**

**WRHAP management:**

**Refer to Recommendation 6.**

**7. Ensure that only actual hours worked are charged to DHSP Programs.**

**Plan of Action:**

**7. WRHAP has hired additional bookkeeping support to minimize errors of this kind. Timesheets reflect actual hours worked.**

**From Draft Report:**

**"We traced the Agency's Cost Reports submitted to DHSP for the period ended February 2012, March 2012, and June 2012 to their accounting records. WRHAP's Cost Reports did not reconcile to their accounting records. The total questioned costs were immaterial. However, WRHAP management should ensure that the Agency's Costs Reports reconciles to their accounting records.**

**Recommendation**

**8. WRHAP management ensure that the Agency's Cost Reports reconcile to their accounting records."**

**Plan of Action:**

**8. WRHAP will ensure that cost reports reconcile to the accounting records. WRHAP will do so by maintaining additional supporting documentation with the reports on file at the agency, and through reconciling the reports against a spreadsheet maintained by WRHAP which memorializes billed program expenditures by month.**